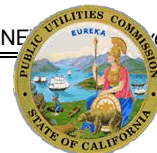


PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298**FILED**08/09/19
12:14 PM

August 9, 2019

Agenda ID #17646
Ratesetting

TO PARTIES OF RECORD IN APPLICATION 19-04-023:

This is the proposed decision of Administrative Law Judge Fortune. Until and unless the Commission hears the item and votes to approve it, the proposed decision has no legal effect. This item may be heard, at the earliest, at the Commission's September 12, 2019 Business Meeting. To confirm when the item will be heard, please see the Business Meeting agenda, which is posted on the Commission's website 10 days before each Business Meeting.

Parties of record may file comments on the proposed decision as provided in Rule 14.3 of the Commission's Rules of Practice and Procedure.

The Commission may hold a Ratesetting Deliberative Meeting to consider this item in closed session in advance of the Business Meeting at which the item will be heard. In such event, notice of the Ratesetting Deliberative Meeting will appear in the Daily Calendar, which is posted on the Commission's website. If a Ratesetting Deliberative Meeting is scheduled, *ex parte* communications are prohibited pursuant to Rule 8.2(c)(4)(B).

/s/ ANNE E. SIMON

Anne E. Simon

Chief Administrative Law Judge

AES:mph

Attachment

Decision **PROPOSED DECISION OF ALJ FORTUNE** (Mailed 8/9/2019)**BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA**

Application of Southern California Edison Company, (U338-E), a corporation, to incur short-term debt obligations payable at periods of not more than twelve months after the date of issuance to an aggregate amount not to exceed \$4.0 billion.

Application 19-04-023

**DECISION AUTHORIZING SOUTHERN CALIFORNIA EDISON COMPANY TO
ISSUE SHORT-TERM DEBT NOT TO EXCEED \$4.0 BILLION****Summary**

This decision authorizes Southern California Edison Company (SCE) to increase its short-term borrowing obligations to a total of \$4.0 billion dollars, from the currently authorized amount of \$2.0 billion (Decision 08-10-015). This means that we authorize SCE to issue up to an additional \$2.0 billion of short-term debt, in addition to the \$2.0 billion already authorized in 2008 (\$2.0 billion + \$2.0 billion = \$4.0 billion). There is no expiration date on the authority.

SCE's short-term borrowing authorization will be used to maintain its financial options for securing adequate temporary financing for: (1) supporting SCE's large capital spending programs that support the state's clean energy and wildfire risk mitigation initiatives, (2) the delay between when SCE incurs costs to approved memorandum accounts and when such approved costs are

recovered in customer rates, (3) market volatility affecting California utilities caused by increased contingent wildfire risks, and (4) debt maturities, refinancing of existing of existing debt; and cyclical fluctuations in seasonal cash flows or other unexpected events.

The authority granted by today's decision will become effective when SCE pays a fee of \$1,006,000.00 pursuant to Pub. Util. Code § 1904 (b).

This proceeding is closed.

1. Background

Southern California Edison Company (SCE) filed Application (A.) 19-04-023 on April 29, 2019. Notice of A.19-04-023 appeared in the Commission's Daily Calendar on April 30, 2019. There were no protests or responses to this application.

In Resolution ALJ 176-3437, dated May 16, 2019, the Commission preliminarily determined that the category for this proceeding is ratesetting and that a hearing is needed. A prehearing conference (PHC) was held on July 11, 2019 pursuant to Rule 7.2(b) of the Commission's Rules of Practice and Procedure (Rules). During the PHC parties agreed that there is no need for hearing and this was reflected in the Assigned Commissioner's Scoping Memo and Ruling (Scoping Memo) issued on July 24, 2019, pursuant to Rule 7.3(b).

The record of this proceeding consists of A.19-04-023, including the information, schedules, and appendices contained in the application.

All assigned Commissioner and Administrative Law Judge (ALJ) rulings are affirmed herein.

2. Jurisdiction

SCE's existing authority to issue short-term debt¹ is provided by Decision (D.) 08-10-015. This decision also:

1. Allowed SCE to secure its debt pursuant to Pub. Util. Code § 851, by:
 - a. A mortgage on SCE's real property or
 - b. A pledge of SCE's accounts receivable; and
2. Exempted SCE from the competitive bidding rule when the (short-term debt) transaction:
 - a. Exceeds a principal amount of \$200.00 million; and/or
 - b. Utilizes a variable-rate debt.

D.08-10-015 established that there is no expiration date for SCE's authority.

In the current application, SCE requests authority to increase its short-term obligations to a total of \$4.0 billion dollars, from the currently authorized amount of \$2.0 billion (D.08-10-015). This means that SCE is requesting up to an additional \$2.0 billion of short-term debt authority, in addition to the \$2.0 billion already authorized in 2008 (\$2.0 billion + \$2.0 billion = \$4.0 billion).

The Commission's jurisdiction over the issuance of short-term debt is pursuant to Pub. Util. Code § 823(c), which states as follows:

Notwithstanding the provisions of [§ 823(b)], no public utility... shall, without the consent of the commission, issue notes payable at periods of not more than 12 months after the date of issuance of the notes if such notes and all other notes payable at periods of not more than 12 months after the date of issuance... would exceed in aggregate amount five percent of the par value of the other securities then outstanding. In the case of securities having no

¹ For the purpose of today's decision, "short-term debt" is defined as debt that has a maturity of less than one year at the time of issuance.

par value, the par value for the purposes of this subsection shall be the fair market value as of the date of issue.

3. Issues Before the Commission

In A. 19-04-023, SCE requests authority to:

1. Issue up to \$4.0 billion of short-term debt pursuant to § 823(c).
2. Affirmation that SCE's short-term debt authority has no expiration date as set forth in D.08-10-015.
3. Set a fee of \$1,006,000.00 pursuant to Pub. Util. Code § 1904(b) for authority to issue \$2.0 billion of short-term debt.

4. Discussion

SCE requests authority to issue up to \$4 billion of short-term debt in order to align with its borrowing capacity under its 2018 Amended Credit Facility and to provide adequate financing flexibility to address on-going operational needs such as:

1. Large capital spending programs that support the state's clean energy and wildfire risk mitigation initiatives.
2. The delay between when it incurs costs to approved memorandum accounts and when such approved costs are recovered in customer rates.
3. Market volatility affecting California utilities caused by increased contingent wildfire risks.
4. Debt maturities, refinancing of existing debt, and cyclical fluctuations in seasonal cash flows.
5. Other unexpected events (that impact short-term borrowing).

4.1 Authority to Issue Short-Term Debt

SCE's application for authority to issue up to \$4 billion of short-term debt is subject to Pub. Util. Code §§ 816, 819, 823, and 824, which state as follows:

§ 816: The power of public utilities to issue stocks or... bonds, notes, and other evidences of indebtedness... is a special privilege, the right of supervision, regulation, restriction, and control of which is vested in the State, and such power shall be exercised as provided by law under such rules as the commission prescribes.

§ 819: The commission may by its order grant permission for the issue of such stocks or... bonds, notes, or other evidences of indebtedness in the amount applied for, or in a lesser amount, or refuse such permission, or grant it subject to such conditions as it deems reasonable and necessary....

§ 823(a): No public utility shall, without the consent of the commission, apply any part of the issue of any stock or... bond, note, or other evidence of indebtedness, or any proceeds thereof, to any purpose not specified in the commission's order, or to any purpose specified in the order in excess of the amount authorized for such purpose, or issue or dispose thereof on any terms less favorable than those specified in the order....

(b) A public utility may issue notes, for proper purposes and not in violation of any provision of law, payable at periods of not more than 12 months after the date of issuance of the notes without the consent of the commission.

(c) Notwithstanding the provisions of subdivision (b), no public utility... shall, without the consent of the commission, issue notes payable at periods of not more than 12 months after the date of issuance of the notes if such notes and all other notes payable at periods of not more than 12 months after the date of issuance of such notes... would exceed in aggregate amount 5 percent of the par value of the other securities then outstanding. In the case of securities having no par value, the par value for... this subsection shall be the fair market value as of the date of issue.

(d) No note payable at a period of not more than 12 months after the date of issuance of such note shall, in whole or in

part, be refunded by any issue of stocks... or bonds, notes of any term or character, or any other evidence of indebtedness, without the consent of the commission.

§ 824: The commission may require public utilities to account for the disposition of the proceeds of all sales of stocks... and bonds, notes, and other evidences of indebtedness, in such form and detail as it deems advisable... to insure the disposition of such proceeds for the purposes specified in its order.

These provisions in the Public Utilities Code provide the Commission with broad discretion to (1) determine if a utility should be authorized to issue short-term debt in excess of the amount authorized by Pub. Util. Code § 823(c), and (2) attach conditions to the issuance of short-term debt in order to protect and promote the public interest.

We find that it is reasonable to grant SCE's request for authority to issue up to \$4 billion of short-term debt in excess of the amount authorized by Pub. Util. Code § 823(c). SCE has large, ongoing cash expenditures that must be funded at all times so that SCE can provide essential utility services to the public. The \$4 billion of short-term debt authorized by today's decision will help ensure that SCE can fund utility cash expenditures without interruption.

SCE shall use the short-term debt authorized by today's decision only for utility-related purposes. Such purposes include, but are not limited to utility expenses such as temporary financing for capital expenditures, balancing account under-collections, margin calls on commodity hedges, and nuclear fuel inventory.

SCE shall not use the short-term debt authorized by today's decision to fund dividends, provide loans or cash to affiliates, or pay management fees to its parent company or other affiliates. Consistent with Pub. Util. Code § 824, SCE

shall maintain records that (1) identify the specific short-term debt issued pursuant to today's decision, and (2) demonstrate that the proceeds from such debt have been used only for the purposes authorized by today's decision.

Today's decision provides new authority to SCE to issue short-term debt beginning the effective date of this decision and confirmation that the required \$1,006,000 fee is paid to the Commission.

1.1. Other Regulatory Requirements

General Order (GO) 24-C requires public utilities that issue debt or equity to file a semiannual report with the Commission that includes the following information for the applicable semiannual period:

1. A description of the debt and equity issued during the semiannual period, if any, including the principal amount of each issuance, the commissions paid for each issuance, and the net proceeds received for each issuance.
2. The total amount of stock issued and outstanding at the end of the semiannual period, including the total number of shares issued and the par value, if any, of such shares.
3. The total bonds and other debt issued and outstanding at the end of the semiannual period, including the principal amount of such bonds and other debt.
4. The expenditures of debt and equity proceeds during the semiannual period and the purposes for which these expenditures were made. Expenditures must be reported in a way that allows the Commission to ascertain the utility's compliance with Pub. Util. Code § 817 and the related authorizing decision.

In addition to the previously enumerated reporting requirements, GO 24-C requires utilities to maintain records which demonstrate that the proceeds from the issuance of debt and equity have been used in a manner

authorized by the related authorizing decision. Utilities must make the records available to Commission staff upon written request.

2. Ratemaking

Today's decision does not approve (1) the rates, terms, and condition for the short-term debt authorized by today's decision; or (2) the costs, expenditures, and capital projects that may be financed with the authorized short-term debt. The Commission will review these matters in general rate case proceedings, capital project-specific proceedings, or other proceedings. Based on these reviews, the Commission will determine whether the cost of the short-term debt (e.g., interest paid on the debt), and the costs, expenditures, and capital projects that are financed with such debt, are reasonable and may be recovered in rates.

3. Fee Required by Pub. Util. Code § 1904(b)

Pursuant to Pub. Util. Code § 1904(b), SCE shall pay a fee for authority to issue debt, as detailed in the table below. SCE shall pay the \$1,006,000 fee, no later than 30 days from the effective date of this decision. The authority granted by this decision will become effective upon the payment of this fee.

§ 1904(b) Fee for \$2,000,000,000 of Short-Term Debt		
Amount	Rate	Fee
\$1,000,000	\$2 per \$1,000	\$2,000
\$9,000,000	\$1 per \$1,000	\$9,000
\$1,990,000,000	\$0.50 per \$1,000	\$995,000
Total Fee:		\$1,006,000

5. California Environmental Quality Act

The California Environmental Quality Act (CEQA) applies to projects that (1) may cause a direct physical change in the environment or a reasonably foreseeable indirect physical change in the environment, and (2) require

discretionary approval from a governmental agency, unless exempted by statute or regulation.² A project is exempt from CEQA when it can be seen with certainty that the activity in question will not have a significant effect on the environment.³ The Commission is the lead agency under CEQA with respect to A.19-04-023 and, therefore, must determine if the short-term debt requested in A.19-04-023 is exempt from CEQA.⁴

Today's decision does not authorize any capital expenditures, construction projects, or any other activities that might have an effect on the environment. Therefore, it can be seen with certainty that the \$4 billion of short-term debt authorized by today's decision will not have a significant effect on the environment. Accordingly, the authorized short-term debt is exempt from CEQA. To ensure compliance with CEQA, SCE shall not use the proceeds from the authorized short-term debt to fund any project until the required CEQA review and approval for the project, if any, has been completed.

6. Categorization and Need for Hearing

In Resolution ALJ 176-3437, dated May 16, 2019, the Commission preliminarily determined that the category for this proceeding is ratesetting and that hearings were necessary. Pursuant to the Scoping Memo, the assigned Commissioner determined that a hearing was not needed. We affirm that the category for this proceeding is ratesetting and that a hearing is not needed.

² California Public Resources (Cal. Pub. Res.) Code § 21067.

³ CEQA Guidelines, Title 14 of the California Code of Regulations, Division 6, Chapter 3, Article 20, Section 15061(b)(3). (Hereafter, "CEQA Guidelines".)

⁴ Cal. Pub. Res. Code §§ 21065 and 21080(a), and CEQA Guidelines Section 15061(a).

7. Comments on Proposed Decision

This is an uncontested matter in which the decision grants the relief requested. The otherwise applicable 30-day period for public review and comment is usually waived pursuant to Pub. Util. Code § 311(g)(2) and Rule 14.6(c)(2) of the Commission's Rules. However, at the PHC, the Public Advocates Office requested and was granted an expedited review period.

8. Assignment of Proceeding

Michael Picker is the assigned Commissioner for this proceeding and Hazlyn Fortune is the assigned Administrative Law Judge.

Findings of Fact

1. Pursuant to D.08-10-015, SCE currently has authority to issue \$2 billion of short-term debt without any expiration date on the authority.
2. In A.19-04-023, SCE requests authority pursuant to Pub. Util. Code §§ 701, 702, and 816-830 to increase its short-term borrowing obligations to a total of \$4.0 billion dollars, from the currently authorized amount of \$2.0 billion.
3. There were no protests or responses to A.19-04-023.
4. There are no contested factual issues in this proceeding.
5. The Commission is the lead agency under CEQA for A.19-04-023.

Conclusions of Law

1. SCE should be granted authority under Pub. Util. Code § 816 et seq., to increase its short-term borrowing obligations to a total of \$4.0 billion dollars, from the currently authorized amount of \$2.0 billion.
2. The short-term debt authority granted herein should have no expiration date.
3. SCE should use the short-term debt authorized herein, only for utility-related purposes. Such purposes include, but are not limited to utility expenses

such as temporary financing for capital expenditures, balancing account under-collections, margin calls on commodity hedges, and nuclear fuel inventory.

4. SCE should not use the short-term debt authorized by today's decision to fund dividends, provide loans or cash to affiliates, or pay management fees to its parent company or other affiliates.

5. Consistent with Pub. Util. Code § 824, SCE should maintain records that (1) identify the specific short-term debt issued pursuant to today's decision, and (2) demonstrate that the proceeds from such debt have been used only for the purposes authorized by today's decision.

6. This decision should not approve (i) rates, terms, and conditions for the short-term debt authorized by this decision; or (ii) costs, expenditures, or capital projects that may be financed with short-term debt authorized by this decision.

7. The Commission may determine in future proceedings (i) whether the rates, terms, and conditions of the short-term debt authorized by this decision are reasonable; (ii) whether the cost of the short-term debt (*e.g.*, interest paid on the debt) may be recovered in rates; and (iii) whether the utility-related costs, expenditures, and capital projects that are financed with the short-term debt are reasonable and may be recovered in rates.

8. Within 30 days from the effective date of this decision, SCE should remit to the Commission's Fiscal Office at 505 Van Ness Avenue, San Francisco, CA 94102, a check for \$1,006,000 pursuant to Public Utilities Code Section 1904(b). The decision number must appear on the face of the check. The authority granted by this Order should become effective when SCE has remitted \$1,006,000.

9. No hearing is necessary.

10. SCE should not use the short-term debt authorized by this decision to finance a project until SCE has obtained any required environmental review and approval for the project under CEQA.

11. The \$4 billion of short-term debt authorized by today's decision will not have a significant effect on the environment, therefore the short-term debt authorized by this decision is exempt from CEQA.

O R D E R

IT IS ORDERED that:

1. Southern California Edison Company (SCE) is authorized to issue up to a total of \$4 billion of short-term debt (\$2.0 billion authorized previously in Decision 08-10-015 + \$2.0 billion requested herein) pursuant to Public Utilities Code (Pub. Util. Code) Section 816 et seq. SCE shall use the authorized short-term debt only for utility-related purposes. Such purposes include, but are not limited to utility expenses such as temporary financing for capital expenditures, balancing account under-collections, margin calls on commodity hedges, and nuclear fuel inventory.
2. Southern California Edison Company shall not use the short-term debt authorized by today's decision to fund dividends, provide loans or cash to affiliates, or pay management fees to its parent company or other affiliates.
3. Consistent with Public Utilities Code § 824, Southern California Edison Company shall maintain records that (1) identify the specific short-term debt issued pursuant to today's decision, and (2) demonstrate that the proceeds from such debt have been used only for the purposes authorized by today's decision.
4. The short-term debt authorized by this order may be issued at any time, in any increments, not to exceed a total amount of \$4 billion issued and outstanding at any one time.

5. Southern California Edison Company's authority to issue short-term debt pursuant to this order has no expiration date.

6. Southern California Edison Company shall not use the short-term debt authorized by this order to fund dividends, make inter-corporate loans and cash transfers, or pay management fees to its parent company or other affiliates.

7. This order does not approve (i) any rates, terms, and conditions for the short-term debt authorized by this order; or (ii) any utility-related costs, expenditures, or capital projects that may be financed with the short-term debt authorized by this order.

8. Within 30 days from the effective date of this order, or before, Southern California Edison Company shall remit a check for \$1,006,000.00 pursuant to Public Utilities Code Section 1904 to the Commission's Fiscal Office, Room 3000, 505 Van Ness Avenue, San Francisco, CA 94102. The decision number of this order must appear on the face of the check.

9. The authority granted by this order shall become effective when SCE pays the fee required by Pub. Util. Code Section 1904 (b).

10. Southern California Edison Company (SCE) may not use the proceeds from the short-term debt authorized by this order to finance a project until SCE has obtained any required review and approval of the project under the California Environmental Quality Act.

11. Application 19-04-023 is closed.

This order is effective today.

Dated _____, at Los Angeles, California.